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ADDRESS OF DANIEL DAVENPORT, OF BRIDGEPORT,
CONNECTICUT, AGAINST POLITICAL RAILROAD
RATE FIXING, DELIVERED BEFORE THE CHAU-
TAUQUA AT CLARINDA, IOWA, AUGUST 16, 1905.

The Association for Maintaining the Rights of Property is naturally very much opposed to anybody's programme to confer upon a political board the power and the duty of fixing the prices which the owners of railway properties shall receive for the only commodity they have to sell, namely their services in transporting persons and property from one state to another, and it gives me great pleasure to appear here to-day in their behalf at your invitation to express some of the grounds of their opposition. You people of the west have lately been favored with the views on this subject of Mr. Thomas W. Lawson, of Boston, whom we in the east regard as a typical representative of that class marked for all time by one stroke of the historian Sallust's pen as "greedy of other men's goods, lavish of their own." You have also heard from politicians of your own and neighboring states, as to what the people need and demand in regard to it. Listen now for awhile to one who speaks for that innumerable host whose money built the railroads of the country and whose savings are invested in them to an extent hardly conceivable without an actual knowledge of the figures.

In my home town, Bridgeport, Conn., with a population of about 80,000, there are 42,000 depositors in our four local savings banks, and they own \$6,000,000.00 of railway securities. In Connecticut out of a population of less than a million there are more than 475,000 depositors in its savings banks, and they own some \$82,000,000.00 of these securities. In the six states of Maine, New Hampshire, Massachusetts, Connecticut, New York and New Jersey, there are 5,200,000 depositors in savings banks, nearly twice the voting population, and they own collectively nearly \$500,000,000.00 of these railroad securities, notably of the railroads of Iowa. The 18,000,000 policy holders in life insurance companies own about \$800,000,000.00 of these securities. The holders of the \$28,000,000,000.00 of fire insurance policies in force in this country depend absolutely for their protection upon the value of the railroad securities held by the fire insurance companies, the bulk of their investments being of that character. Without further burdening you with figures, you will find, if you take the trouble to investigate, that it is not the Rockefellers, the Morgans, the Goulds, or the Harrimans who own the railroads of the country. Their holdings are comparatively insig-

nificant. It is the toiling millions who own the principal part and their savings have been invested in them relying on existing statutory and constitutional safeguards for the protection of property rights. Credit and prosperity in every business are dependent upon the credit of railroad securities and they have now grown to such an enormous volume that they furnish the basis of our whole financial structure.

You may well believe that a proposition by any one high in authority to take from the owners of these properties the only thing they have that is of any value, viz., the power to fix the charges they shall make for the use of their property and give it over to a political board is a startling one to these millions of persons and but for their confidence in the ultimate good sense and conservatism of congress, it would have long since brought on a panic. For a reduction in freight rates of a single mill per ton per mile would wipe out all the dividends on the stock and a reduction of another mill and a half would wipe out all the interest on the bonds of all the railroads in the country, and it is only by the most conservative management that they can be made to pay at all. The knowledge of these facts and of the wretched work that political boards make of such matters is enough to cause profound alarm at such a policy.

And when we stop to think about it, how little occasion there is for such action. It is the consumer who in the end pays the freight. Now the total gross cost to each person in the United States per day for the entire transportation over all the railroads of the country of persons and property, including the mails and express matter is less than six and a half cents, and of this small sum five cents are at once paid out for labor, materials and other necessary expenses, and only a cent and a half goes to those who furnish the capital and own the securities. And when we consider the enormous magnitude of the service which the railroads even at the present time render to the public at this low cost to each person, we realize how impossible it is that the consumer should make any complaint, or that there can be any real popular demand for a reduction.

The internal commerce of this country already exceeds \$22,000,000,000 per annum. The wants of the 80,000,000 people of the United States during the year ending June 30th, 1903, required the transportation by rail from one point to another within its borders of the equivalent of 209,000,000 passengers each travelling one hundred miles. This was done at the average cost to each passenger of \$2.10. Their necessities also required the carriage by rail of the equivalent of 1,732,000,000 tons of freight hauled one hundred miles. This was done at the cost of 76 cents for each ton. To perform this stupendous service, which brought the whole world to the door of each citizen each day at the total cost to him of six and a half cents, there was required the use of 208,000 miles of track, 44,000 locomotives, and 1,734,000 cars, involv-

ing the permanent and irrevocable dedication to that purpose of more than \$10,000,000,000 capital, conservatively estimated. It also required the services of 1,300,000 employees whose pay alone amounted to \$775,000,000 and a further expenditure of \$630,000,000 in the purchase of materials, the payment of taxes and other necessary things.

The millions of persons who furnished all this capital for this great public service received only \$4.34 for each \$100 actually so invested.

The time has gone by when the intelligent and prosperous farmer and business man of the west can afford to sit idly by and suffer an uninformed popular clamor and the efforts of noisy and shiftily demagogues to hurry congress into the adoption of a measure like the Esch-Townsend bill, which strikes a deadly blow at the ownership of this vast capital and would render insecure the foundation of all our prosperity. For the power which congress is urged to give the Inter-state Commerce Commission and which they have been clamoring for for ten years past is the identical power which they attempted to exercise in the maximum rate case to the extent of fixing two thousand rates covering a large extent of country at one time, and which the Supreme Court of the United States in that case said, if they possessed it, would enable them to fix every interstate railroad rate in the country in a single proceeding, while the owners of the property would be left to foot the bills and stand the losses.

Now it goes without saying that the welfare of the people of Iowa is absolutely dependent on the stability of our commercial and industrial system. Besides what do they not owe to railway investments.

This is my first visit to your beautiful state and as on my way here I passed through your green fields and steeped cities I have been greatly struck by the evidences of abounding prosperity on every hand. Yours is indeed a great state. It is nearly as large as all New England, the section from which I come. Every foot of it is extremely fertile and easily cultivated. Its climate is temperate and bracing. Its interminable fields are all under cultivation and yield enormous crops for the support of the world. Great herds of cattle, horses, sheep and swine are visible everywhere, feeding on its superabundant pastures. It has already 2,500,000 inhabitants, a number equal to all the colonists when they declared themselves independent in 1776 after a century and a half of colonial existence. It contains within its borders 500,000 prosperous and, I doubt not, happy homes. While it is 1,500 miles from the Atlantic seaboard and 1,200 miles from the gulf, its inhabitants are as well supplied with all the conveniences of life, are as well clothed, housed, fed and educated as are the people of southwestern Connecticut, among whom I live, within fifty miles of New York City, after their two and half centuries of development as a civilized community.

Let me remind you that when I was born, and I have but recently passed the half century mark, this whole state, except a narrow strip

along the Mississippi, was a barren wilderness, inhabited only by the Sioux, the Sacs, the Foxes and the Iowas. It did not then contain, all told, 200,000 inhabitants, the land was of no value, the people were extremely poor, and the hardships of their existence are incredible to us now. And what was true of this state was true of the whole region west of the Mississippi. From the Mississippi to the Pacific and from Canada to the Gulf there dwelt less than a million and a half of inhabitants. Now there are within those limits more than 20,000,000 residents, thirteen new states have sprung up there and been admitted into the Union in that time, and from that section there now come thirty-eight United States Senators and one hundred and three Members of Congress.

When France ceded to us this territory in 1803, Chancellor Livingston who conducted the negotiations, wrote to President Jefferson from Paris that more than a century would elapse before a single settler crossed the Mississippi. Long after I was born, the North American Review declared that "the people of the United States have now reached their inland western frontier, and the banks of the Missouri are the shores at the termination of a vast ocean desert, a thousand miles in breadth, which it is proposed to travel, if at all, with caravans of camels and which interpose a final barrier to the establishment of large communities, agricultural, commercial, or even pastoral." A little later the officials of the War Department declared that "from these immense prairies will be derived one of the great advantages of the United States, namely, the restriction of our population to some central limits, and thereby a continuation of the Union. They will be constrained to limit themselves to the borders of the Missouri and Mississippi, while they leave the prairies, incapable of cultivation, to the wandering and uncivilized aborigines of the country."

As I recall these things, this then fresh, untouched, unbounded, magnificent wilderness, and what we now behold here, I ask myself and you the question, what has wrought this wonderful transformation in the brief space of my short lifetime, unparalleled as it is in all the past ages of the world? What factor is it that has brought here this great and prosperous population, exceeding that of all France when Napoleon ruled it and sold this land to us?

I have not far to seek for the answer. There are 10,000 miles of railroad in your state, a mile of railroad for every two and a half miles square of land and for every 250 persons in it. These are joined to 200,000 miles of other railroads, costing for each mile on the average \$50,000 to build and equip, which run out in every direction east, west, north and south to the outermost bounds of the continent. It is the existence of these railroads and the facilities which they have provided, that have enabled all these people to come here, take up the otherwise worthless government land, bring hither to these treeless plains the materials

with which to build houses and barns, transport their surplus products to every market in the world and bring back in exchange all these necessities, comforts and luxuries which here abound. Each mile of railroad which stretches away from these fertile fields to the Atlantic seaboard, the Gulf, the Pacific, and Canada, is as vital to the present value of the farm of the Iowa farmer, as is the highway by which he reached the next station or the government which protects in the ownership of it.

The great interests of Iowa, her very existence, imperatively demanded that these railroads should be built, and when you were but a feeble folk how eagerly you and your fathers sought for the capital with which to build them. Some of you can no doubt recall the time when in 1851 the Illinois Central Railroad was chartered, when Chicago had but 29,000 inhabitants and but a single railroad, 43 miles long, which ran to Elgin; when Illinois had only 111 miles of railroad, Wisconsin 28, Indiana 228, and Kentucky 78, while in the whole territory to the west there was not a mile of railroad. Some of you can no doubt recall the time in 1852 when the Michigan Central Railroad reached Chicago from Detroit, thus establishing connection by rail and Lake Erie with New York City and Boston. More of you can remember that ever memorable day December 2nd, 1863, when on the west bank of the Missouri, near your neighboring city of Omaha, the construction of the Union Pacific Railroad was begun, and that still more memorable day the 10th of May, 1869, when the great enterprise which forever linked your state with the Pacific was completed and celebrated. And you can recall the doubts and misgivings with which all these great enterprises were undertaken and carried through, the extraordinary inducements which had to be held out to secure the necessary capital to build them, and the long postponement of any adequate return on the investment.

And great as was the interest in Iowa in having the railroads built in the beginning it is equally great in having them maintained in their present high state of efficiency and their facilities improved and enlarged to keep pace with the overwhelming mass of products which even now over tax them, and that new ones should be built in this ever growing country. It is of the highest concern to your state that there should be no check, from unwise political action, to the flow of capital into railway enterprises, the most beneficial form of activity in which men invest their savings.

The general result of railway construction has been an enormous increase in production and productive power of every kind, but the farmer has been the chief beneficiary of it. What Iowa and the Iowa farmers were and would be without the railways can best be shown by a reference to the conditions which prevailed before their introduction. One of the most interesting illustrations of the conditions of life before the railways came in to annihilate distance and time and equalize advantages in favor of the more distant is shown by the principles laid



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down by the philosophic agriculturist VonThunen, who lived before their introduction. Assuming as a central point a city, he places around it within a radius of fifty miles an agricultural district composed of six zones, for products which the farmer might raise with profit for the consumption of the city. In the first zone, lying closest to the city, he places the production of garden vegetables, fruit and milk; in the second zone he places the production of commodities which cost more to transport such as potatoes, carrots, etc.; in the third zone the production of wood is placed. In the next three zones, in certain proportions entered into too minutely to be quoted here, cereal productions and animals are put.

This was but a scientific statement of agricultural limitations as they then everywhere existed in practice, owing to the cost of transportation beyond limited distances. How have the railways changed all this, discriminating as they do in favor of those living more distant from the market. The butter and eggs of the Iowa farmer are brought into Boston at the same freight charge and often in the same car with the butter and eggs of the farmer in Vermont and central New York. Von Thunen's circle of fifty miles radius has been enlarged to the borders of the continent. This is made possible only by two things, the existence of the railways and the rank, but wise discrimination of their managers in their freight rates in favor of the more distant producers over those who are nearer the market—a discrimination which destroys the natural advantages, so-called, of the New York and Vermont farmer in being nearer the consumer and puts him on an equal footing with the Iowa farmer.

The state of Iowa has been built up and is now maintained by the discriminating freight rates in her favor over the eastern farmers on all her staple productions. She is the very foster child of wise and statesmanlike discrimination in rate making by the managers of the railroads. New England is full of abandoned farms which were once profitable investments for their owners in raising the very articles which Iowa produces, but which have been rendered valueless because the railroads have annihilated distance as an element in making their freight rates from Iowa to the seaboard and the Gulf. The grazing and cattle interests of western New York, the milling and flouring centers of Buffalo and Black Rock were practically destroyed because the railways granted that discrimination in freight rates, without which Iowa and the west could not exist and the country be fed.

No one who has not investigated the matter can have any conception of the extent to which this extreme but wise and beneficial discrimination in freight rates in favor of the west generally has been carried by the railroads in developing the country and in building up a profitable business for themselves. The railroads under that liberty, which has hitherto been theirs equally with all other American citizens, have